

Product-level sustainability-related disclosures for Nouvelle Epoque Umbrella Fund - European Equity Active Fund



Ver. 20 October 2023

SUMMARY

Nouvelle Epoque Umbrella Fund - European Equity Active Fund (the “Financial Product”) promotes environmental or social characteristics in accordance with Article 8 of the Sustainable Finance Disclosure Regulation (“SFDR”).

The environmental characteristics promoted by the Financial Product consist of investing in companies considering their greenhouse gas emission and related carbon footprint, but does not have as its objective sustainable investment.

The investment strategy of the Financial Product includes the promotion of the environmental characteristics, measured using the portfolio carbon footprint as sustainability indicator. Exclusion filters are applied to the portfolio construction process to restrict investments in certain companies by excluding companies having the highest carbon risk exposure and the highest corporate governance risk score.

Companies are screened for good governance by assessing, among other elements, the management structure, human rights aspects, employee rights aspects and ethics as well as companies exposed to severe controversies.

In order to qualify for initial investment, the target investments must comply with the binding elements applied by the Financial Product. It is expected that the initial investment universe is reduced by at least 20% through the investment strategy described above.

The planned minimum proportion of the investments of the Financial Product used to meet the environmental characteristics promoted is 51% of the Financial Product net asset value.

The data sources in the securities selection process are company disclosure and information from external data providers. The quality and accuracy of the data of the Sustainability Indicator is confirmed by the investee company's disclosure. The use of estimated data is not expected considering the type of investment strategy of the Financial Product.

The Financial Product will report against its sustainability indicator as part of its annual reporting and in relation to the period covered by the annual report.

Universal limitations associated with the proposed methodologies and data concerns raw data availability and data quality. These are challenges that any company is facing regardless of its industry and geography, which are expected to fade out as the regulatory landscape develops and the focus of sustainability on Financial Markets matures.

There is no foreseen impact regarding the data availability in the process of the Financial Product, since investee companies' disclosures and data from independent third parties are usually available.

Engagement is not part of the investment strategy of the Financial Product.

There is no reference benchmark for the purpose of meeting the environmental characteristics.

NO SUSTAINABLE INVESTMENT OBJECTIVE

The Financial Product promotes environmental or social characteristics, but does not have as its objective sustainable investment. The Financial Product will not have a commitment to a minimum proportion of sustainable investments.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The environmental characteristics promoted by the Financial Product consist of investing in companies considering their greenhouse gas emission and related carbon footprint.

Exclusion filters are applied to the portfolio construction process to restrict investments in certain companies by excluding companies having the highest carbon risk exposure.

The Financial Product does not promote any specific social characteristics but excludes the companies in the investment universe having the highest corporate governance risk score.

INVESTMENT STRATEGY

The objective of the Financial Product is to earn excess returns relative to the reference index over a 3-year measurement period by mainly investing in European equities, on the basis of the investment restrictions set out in the Prospectus and subject to the risks normally associated with active investment management.

The Financial Product will invest in stocks with potential to increase enterprise value, while focusing on stocks that are expected to achieve sustainable profit growth. The Financial Product will invest in a well-diversified portfolio of equities, including ETFs tracking European stock indices. In selecting the stocks, the Investment Manager begins by determining the relative attractiveness of each industrial sector based on fundamental analysis, and then looks for individual companies that are fundamentally attractive, relatively undervalued and highly marketable.

The Financial Product promotes the consideration of GHG emissions based on two pillars; an exclusion filter reducing the universe of investment in line with the environmental characteristics promoted by the Financial Product and the integration of ESG factors into the investment decision-making process to ensure investee companies have the intention to reduce their GHG emissions.

It is expected that the initial investment universe is reduced by at least 20% through the investment strategy described above.

What is the investment strategy used to meet the environmental or social characteristics promoted by the financial product?

The attainment of the environmental characteristics promoted by the Financial Product described above is measured using the portfolio carbon footprint as sustainability indicator with data provided by an independent third party and investee company’s non-financial disclosures.

Portfolio carbon footprint is the sum of each investee companies GHG emissions (Scope 1 and 2) per their enterprise value (Economic Value Including cash) weighted by their respective weights in the Financial Product.

The corporate governance risk score is measured using data from an independent third party.

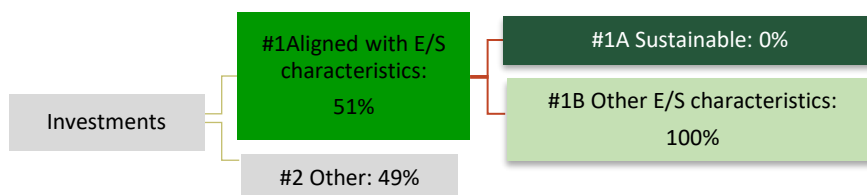
How the policy to assess good governance practices of the investee companies is implemented? Including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

The policy to assess good governance practices of the investee companies is addressed within the issuer exclusion filter as described above.

Companies are screened for good governance by assessing, among other elements, the management structure, human rights aspects, employee rights aspects and ethics. The Financial Product does not invest in companies which cause, contribute or are linked to violations of international norms and standards in a material manner.

Good governance practices of the investee companies are assessed by three indices of material ESG issues, namely corporate governance, business ethics and human capital using data from an independent third party. The Financial Product therefore does not invest in companies in the severe risk category related to those three indices of material ESG issues, including the companies exposed to severe controversies according to the same three indices.

PROPORTION OF INVESTMENTS



Direct exposures in investee entities

The planned minimum proportion of the investments of the Financial Product used to meet the environmental characteristics promoted is 51% of the Financial Product net asset value.

The Financial Product will not have a commitment to a minimum proportion of sustainable investment.

The planned remaining “Other” investments will represent a maximum of 49% of the Financial Product net asset value. Remaining “Other” investments are used for liquidity and portfolio management of the Financial Product.

Other types of exposures investee entities

The Financial Product does not use any derivatives for the purposes of promoting the environmental characteristics.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

How the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms?

Internal controls are in place in respect of investment decision making for the Financial Product. These include, but are not limited to, pre-trade and post-trade controls to ensure all applicable binding elements are applied at all times and independent oversight by risk management functions as required.

The attainment of the environmental characteristics promoted by the Financial Product described above is measured using the portfolio carbon footprint as sustainability indicator with data provided by an independent third party and investee company’s non-financial disclosures.

Portfolio carbon footprint is the sum of each investee companies GHG emissions (Scope 1 and 2) per their enterprise value (Economic Value Including cash) weighted by their respective weights in the Financial Product.

The corporate governance risk score is measured using data from an independent third party.

METHODOLOGIES

Greenhouse Gas Emissions Consideration Methodology

As described in the investment strategy section, the attainment of the environmental characteristics promoted by the Financial Product described above is measured using the portfolio carbon footprint as sustainability indicator. An issuer exclusion process is also performed to ensure the eligibility of investee companies on an ongoing basis.

The Financial Product will report against its sustainability indicator as part of its annual reporting and in relation to the period covered by the annual report. The performance of the sustainability indicator will be measured and monitored in accordance with the Monitoring section and using the data as described in the following section Data sources and processing.

Issuer Exclusion Process Methodology

An issuer exclusion filter encompasses three criteria which are systematically applied to the investment universe:

- 1) Exclusion of issuers with the highest carbon footprint;
- 2) Exclusion of issuers with the highest corporate governance risk score;
- 3) Exclusion of issuers with a severe risk category identified during the assessment of good governance practices as detailed below.

The first and second exclusion criteria ensure bottom issuers in terms of carbon risk exposure (level of carbon footprint and carbon risk management) and corporate governance are systematically excluded from the investment universe according to the data from an independent third party.

The third exclusion criteria systematically excludes investee companies associated with severe risk category (controversies) according to three indices from independent third parties to ensure the Financial Product is not exposed to material violations of human rights, ethics or governance (please refer to information under the policy to assess good governance practices of the investee companies for more details).

It is expected that the initial investment universe is reduced by at least 20% through the investment strategy described above.

DATA SOURCES AND PROCESSING

What are the data sources used to attain each of the environmental or social characteristics promoted by the financial product?

The data sources in the securities selection process are company disclosure and information from external data providers.

What are the measures taken to ensure data quality?

The quality of the data is ensured by monitoring if there are any significant deviation compared with the past one and the peer group.

The quality and accuracy of the data of the sustainability indicator is confirmed by the investee company's disclosure.

How data are processed?

The data is mainly aggregated and treated via internal processes.

What proportion of data that is estimated?

The use of estimated data is not expected considering the investment strategy of the Financial Product. If data is not provided by the investee companies' disclosures or the independent third party, the estimated data may be supplemented.

LIMITATIONS TO THE METHODOLOGIES AND DATA

Are there any limitations to the methodologies and data sources used?

Universal limitations associated with the proposed methodologies and data concerns raw data availability and data quality. These are challenges that any company is facing regardless of its industry and geography, and which are expected to fade out as the regulatory landscape develops and the focus of financial markets on sustainability matures.

There is no foreseen impact regarding the data availability in the process of the Financial Product, since investee companies' disclosures and data from independent third parties are usually available.

How those limitations do not affect how the environmental or social characteristics promoted by the financial product are met?

The limitations to the attainment of the promoted environmental characteristics are deemed non-material, as the investment universe of the Financial Product provides an appropriate level of disclosure and coverage of required information by the Investment Manager to allow for the application of the investment strategy of the Financial Product.

The Investment Manager monitors whether there is any changes of the procedure of data provided. If any change has a significant impact on the process, necessary measures will be taken with the Management Company and AIFM.

DUE DILIGENCE

How is the due diligence carried out on the underlying investee companies? Including the internal and external controls on that due diligence.

In order to qualify for initial investment, the target investments must comply with the binding elements applied by the Financial Product. This compliance has to be ensured by the Investment Manager through pre-trade compliance mechanism in place.

ENGAGEMENT POLICIES

Engagement is not part of the investment strategy of the Financial Product.

DESIGNATED REFERENCE BENCHMARK

There is no reference benchmark for the purpose of meeting the environmental characteristics.

CHANGE LOG

Ver. 26 July 2023 – Website disclosures in place to meet SFDR Level 1 and Level 2 provisions as required by the classification of the Financial Product as an Article 8.

Ver. 20 October 2023 – Clarifying the good governance methodology in page 4.